



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

3301 Gun Club Road, West Palm Beach, Florida 33406 • (561) 686-8800 • FL WATS 1-800-432-2045 • TDD (561) 697-2574
Mailing Address: P.O. Box 24680, West Palm Beach, FL 33416-4680 • www.sfwmd.gov

TO: GOVERNING BOARD MEMBERS AND FRANK R. FINCH, P.E.

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT – FY 2000

This Comprehensive Annual Financial Report (commonly called the “CAFR”) communicates our complete financial position and results of operations for the fiscal year ended September 30, 2000. It includes all entities and funds for which the Board is financially accountable.

Our operating results for the year ended September 30 were

- Revenues totaling \$385.9 million, primarily composed of \$237.9 million from property taxes and \$109.1 million from federal and state sources.
- Expenditures of \$349.4 million, including \$241.9 million for operations, \$99.6 million for capital outlay, and \$7.9 for debt service.


Our financial position at September 30 reports

- Assets approximating \$2 billion, primarily composed of capital assets (\$1.6 billion) and investments (\$329.3 million).
- Liabilities of \$192.9 million, including bonds payable of \$76.1 million.
- Net equity of \$1.8 billion that includes our \$1.6 billion in capital assets plus unexpended funds of \$277 million.

Responsibility for the integrity, objectivity, accuracy, completeness and fairness of presentation of these financial statements rests with management. The General Purpose Financial Statements and individual fund statements were prepared in conformity with generally accepted accounting principles (GAAP) for governmental entities. To our knowledge, the information is accurate in all material respects and fairly presents our financial position and operating results. The report includes disclosures required to provide an understanding of our financial affairs.

The District maintains a system of internal accounting controls designed to provide (a) reasonable assurance that assets are safeguarded against loss or unauthorized use and (b) reliable financial records for use in preparing financial statements and for maintaining accountability of assets. The concept of reasonable assurance is based on recognition that the cost of an internal control system should not exceed the benefits.

KPMG LLP, independent auditors, has audited the financial statements in accordance with generally accepted auditing standards and included a review of internal accounting controls to the extent necessary to express an opinion on the fairness of these financial statements.



Paul E. Dumars, Sr.
Director, Division of Finance and Administration



Steve Parris
Director, Department of Accounting and Financial Services

January 15, 2001

I-1

GOVERNING BOARD

Michael Collins, *Chairman*
Michael D. Minton, *Vice Chairman*
Mitchell W. Berger

Vera M. Carter
Gerardo B. Fernandez
Patrick J. Gleason

Nicolas J. Gutierrez, Jr.
Harkley R. Thornton
Trudi K. Williams

EXECUTIVE OFFICE

Frank R. Finch, P.E., *Executive Director*
James E. Blount, *Chief of Staff*

REPORT COMPOSITION

The organization, form, and contents of this Comprehensive Annual Financial Report conform to generally accepted accounting principles (GAAP) of the Governmental Accounting Standards Board (GASB) and the guidelines prescribed by the Government Finance Officers Association (GFOA). It contains seven major sections.

I – INTRODUCTORY SECTION

- The District’s historical and current setting that summarizes our statutory creation, governance and management plus our boundaries and locations;
- A review of the regional economic condition and outlook, including major industries, population trends and the future economic outlook;
- A summary of our major initiatives of the past year and major activities in the future;
- A discussion of our internal controls, including a brief overview of our *Principles of Financial Management*, budgeting and accounting controls, audit committee oversight, and audits;
- An analysis of the District’s finances, including our operating results, financial position, cash management and debt administration;
- Recognition of financial reporting awards received by the District.

II – FINANCIAL SECTION that contains the

- Report of the Independent Certified Public Accountants, and
- General Purpose Financial Statements including Notes to the Financial Statements and Required Supplementary Information on our Year 2000 Project.

III – SUPPLEMENTAL FINANCIAL INFORMATION SECTION that includes detail financial statements of individual operating and capital funds plus statements and schedules of fixed assets (including infrastructure) and outstanding District debt. These are grouped as follows:

- Combining Financial Statements
- Individual Fund Financial Statements, and
- Account Group Statements and Schedules.

IV – STATISTICAL SECTION presents ten year trends of data in charts, graphs and narrative for the following indicators:

- Demographic
- Revenue
- Expenditure
- Operating
- Workload

V – DISCLOSURE SECTION that presents annual financial information and operating data for all outstanding bond issues (the “Annual Information”) consistent with Rule 15c2-12 of the Securities and Exchange Commission. This section also makes a positive statement regarding the nonoccurrence of the material events during the year.

VI – FEDERAL SINGLE AUDIT that contains the Reports of the Independent Certified Public Accountants relating to Federal Programs, the Schedule of Expenditures of Federal Awards, and Schedules of Findings and Questioned Costs for the current and prior fiscal years.

VII – SCHEDULE OF STATE FINANCIAL ASSISTANCE that contains the Report of Independent Certified Public Accountants on Examination of Management’s Assertion about Compliance with Specified Requirements of State Financial Assistance and the Schedule of State Financial Assistance.

HISTORICAL AND CURRENT SETTING

DISTRICT BACKGROUND

South Florida’s subtropical extremes of hurricane, flood, and drought combined with efforts to populate this “new frontier” led the U.S. Congress to adopt legislation creating the Central and Southern Florida Flood Control Project (C&SF) in 1948.

The project’s primary goal was to serve the needs of the region’s growing agricultural and urban populations and to protect and manage water resources. The U.S. Army Corps of Engineers (COE) would, over the following decades, design and build a vast network of levees, canals, and other improved waterways, and water control structures designed to help manage the often unpredictable weather extremes of the region.

In 1949 the Florida Legislature created the Central and Southern Florida Flood Control District (FCD) to act as the local sponsor for the project, operating and maintaining the water control network with funding from property taxes levied within the District boundaries. Throughout its history, this regional water resource agency evolved and grew primarily in response to population growth and development and its impact on water resources.

The Florida Water Resources Act of 1972 launched the most significant change in the state’s approach to natural resource management. This legislation divided the state into five regional water management districts and greatly expanded the responsibilities of the existing FCD. This included a greater emphasis on water quality and environmental protection initiatives.

The FCD was renamed the South Florida Water Management District in 1976, and new boundaries were drawn to encompass the region’s primary watersheds. Since 1949 the District has grown into a multi-faceted agency responsible for most water resource related issues – from providing flood protection and water supply protection to people living in cities and on farms to restoring and managing natural ecosystems.

The District’s Governing Board is composed of nine members appointed from specific geographic areas within our boundaries. The members are appointed by the Governor and are confirmed by the Florida Senate. Appointments are made on a staggered basis and members serve without salary for a term of four years. The Board elects its own officers, including a chairman and vice-chairman.

GEOGRAPHIC BOUNDARIES OF THE DISTRICT

Water management district boundaries are based on natural, hydrological basins rather than political or county limits to allow for effective and efficient planning and management. The boundaries of the District encompass all or part* of the 16 counties listed below, covering a total area of 17,930 square miles. More than 6 million people live within the District's boundaries.

Counties

Broward	Charlotte*
Collier	Miami-Dade
Glades	Hendry
Highlands	Lee
Martin	Monroe
Okeechobee*	Orange*
Osceola*	Palm Beach
Polk*	St. Lucie

GENERAL OPERATIONS

The District's water management system includes roughly 1,800 miles of canals and levees, with 200 primary water control structures operated by the District. Nearly 2,000 smaller structures are in place system-wide to control inflows from secondary sources (local, municipal, or county drainage and/or water control districts) into the District's primary system. The District has 29 pumping stations which can move hundreds of millions of gallons of water in and out of storage areas, providing both water supply and flood protection.

The man-made water management system undergoes continuous enlargement and refinement with new construction, acquisitions and upgrades to the existing network. This enhances the system's ability to provide flood control and water supply protection as well as preserve water quality and environmental values.

District employees are located at facilities across our 16 county jurisdiction to offer the public more direct and responsive access to permitting and other agency functions. These locations include eight Field Stations located in Kissimmee, Okeechobee, Clewiston, West Palm Beach, Fort Lauderdale, Miami, Homestead, and Naples. District headquarters are in West Palm Beach with Branch Offices located in Fort Lauderdale, Fort Myers, Naples, Stuart, Miami, Orlando, Okeechobee, and Islamorada.

The Big Cypress Basin Branch Office and Field Station are headquartered in Naples. Operations and policies for the Basin are directed by a six-member Basin Board and are carried out by Basin staff, under the direction of the Basin Administrator.

REGULATORY POWERS

The District has a number of regulatory programs designed to protect the region's water resources. Under the state's 1993 environmental streamlining initiative, land alteration activities or works affecting water resources are regulated under one type of permit – the Environmental Resource Permit. The water management districts and the Florida Department of Environmental Protection (DEP) have developed uniform wetland delineation, mitigation banking, and environmental resource permitting criteria. The District is also responsible for regulating consumptive uses of water. Types of activities regulated by the District include:

- Projects with impacts on wetlands or other surface waters (dredge and fill)
- Surface Water Improvement and Management (SWIM) "Works of the District"
- Use of District lands, canals, streams or aquifers
- Drainage system construction or operation, and
- Well construction

OTHER DISTRICT PROGRAMS

The District's responsibilities reach far beyond regulatory programs and operations. The District acquires, manages, and restores lands through Florida's Save Our Rivers (SOR) and Preservation 2000/ Florida Forever programs.

Water resource education targeted at schools and at the general public is an important District focus. Partnerships and coordination with other levels of government and other agencies help support water resource development projects, development of alternative water supplies, water conservation, reuse, and stormwater management goals.

Research, data collection and analysis help ensure District projects and programs are effective and efficient. Emergency operations and management are a cornerstone of District operations, especially during the hurricane season, or the seven-month dry season when serious water shortages can occur. The District is also a leader in melaleuca, aquatic weeds, and other exotic pest plant control.

REGIONAL ECONOMIC CONDITION AND OUTLOOK

OVERVIEW OF THE LOCAL ECONOMY

South Florida's economic performance from year to year is closely related to the U.S. economy's overall health. As expected, the nation's low unemployment rate, low inflation rate, and low interest rates have contributed to the continued growth in most of the businesses that make up the local economy. South Florida's economic expansion over the past several years has also been fueled by the addition of new residents seeking to enjoy an improved job situation and life-style in a favorable climate.

MAJOR INDUSTRIES AND POPULATION TRENDS

The number of new residents that moved to south Florida during the last decade has increased the population by an average of two percent annually, about twice the national growth rate. The District's population is projected to increase from its current 6.2 million residents to approximately 8 million by 2010. These new residents will continue to promote economic growth by stimulating demand for homes, furnishings, cars and services.

The **tourism industry** remains strong as large numbers of tourists continue to visit south Florida each year. With ample transportation provided by major airports and seaports, visitors from all over the world come to south Florida to enjoy the excellent weather, beautiful beaches and theme parks.

The **construction industry** continues to thrive in most of south Florida. Residential housing starts for counties within the District totaled approximately 67,000 in 2000 and are projected to be the same in 2001.

FUTURE ECONOMIC OUTLOOK

South Florida's economy is expected to perform well in the coming years. In addition to growth in the tourism and construction industries, the region should experience solid growth in international trade, business and financial services, telecommunications, and medical-pharmaceutical industries. The population of the District is predicted to continue to grow at its fast pace, while unemployment is expected to remain low. Companies will continue to relocate to south Florida, drawn by its high quality of life, abundant financial resources, expanding port facilities and proximity to international airports.

MAJOR INITIATIVES

EVERGLADES RESTORATION

Florida's Everglades are the largest subtropical wetlands in the United States and are a unique resource. The Everglades "River of Grass" contains a diversity of plants and wildlife not found anywhere else in the United States. For more than a century, human activities have altered the ecosystem to provide for the development of a growing population, agriculture, and protection against deadly hurricanes and droughts.

Today, the Everglades face critical challenges as a result of more than 100 years of change. Phosphorus-enriched agricultural and stormwater runoff is upsetting the ecosystem's delicate balance. Other threats include changes in the quantity, distribution and timing of freshwater; an infestation of non-native plants; mercury accumulation in the tissue of some Everglades fish, birds and other animals; and a reduction in the size of the Everglades marshes.

The **Everglades Forever Act** (EFA), passed by the Florida Legislature in 1994, established requirements essential to restore significant portions of the Everglades. The District implemented the Everglades Construction Project and the Everglades Restoration Program in order to meet the requirements of the Everglades Forever Act.

The **Everglades Construction Project** (ECP) is the first major step in Everglades restoration pursuant to the Everglades Forever Act. The EFA directs the District to acquire land, design, permit, and construct a series of Stormwater Treatment Areas (STAs) to reduce phosphorus levels from stormwater runoff and other sources before it enters the Everglades Protection Area. These six large constructed wetlands, totaling over 47,000 acres, are the cornerstone of the ECP.

Other ECP components include hydropattern improvements and diversion of stormwater flows from Lake Okeechobee. In total, the ECP is composed of 12 interrelated construction projects located between Lake Okeechobee and the Everglades. The ECP is mandated to have the last of the STAs completed by October 1, 2003 and other ancillary projects will continue through fiscal year 2006.

The **Everglades Restoration Program** is composed of nine major elements: Research and Data Collection, Interim Operating Plan, Everglades Works of the District Permitting, Exotic Species Control, Everglades Stormwater Program, C-111 Project Implementation, Modified Water Deliveries, Florida Keys Water Quality Plan, and Program Support.

During fiscal year 2000 the District completed the construction of STA-1 West, STA 2/S-6 Diversion Works, S-5A Basin Diversion Works, Rotenberger Restoration, West WCA-3A Hydropattern Restoration, and the Closter Farms Diversion Works. In addition, substantial work was completed on the STA-1 West and the STA-2 outflow pumping stations.

COMPREHENSIVE EVERGLADES RESTORATION PLAN

The **Comprehensive Everglades Restoration Plan** (CERP) is the plan for the restoration, protection, and preservation of the water resources of central and southern Florida, including the Everglades. Principal features of the plan are the creation of approximately 217,000 acres of new reservoirs and wetlands-based water treatment areas. These features vastly increase storage and water supply for the natural system, as well as for urban and agricultural needs. The CERP is intended to restore a more natural flow of water, including sheetflow, improve water quality and restore a more natural hydroperiod in the South Florida ecosystem.

Through the Water Resources Development Act of 2000, Congress has authorized an initial \$1.4 billion package of projects that will begin implementation of the Comprehensive Plan. The initial authorization includes (1) four pilot projects, (2) ten specific project features, and (3) a programmatic authority through which smaller projects can be more quickly implemented. Authorization for the remaining features of the Plan will be requested in subsequent Water Resources Development Act proposals beginning in 2002.

Prior to implementation, six pilot projects, costing about \$97 million, will be built to address uncertainties with some of the features in the Comprehensive Plan. These projects include aquifer storage and recovery in each geographic region that the technology is proposed; in-ground reservoir technology adjacent to Everglades National Park; and advanced wastewater treatment technology to determine the feasibility of using reuse water for ecological restoration.

The initial set of construction features will provide immediate system-wide water quality and flow distribution benefits and use already purchased land. Ten projects and the adaptive assessment program, totaling \$1.1 billion, are recommended for initial authorization. These projects were selected because they can provide system-wide water quality and flow distribution benefits to the ecosystem as well as opportunities to integrate these features with other ongoing federal and state restoration programs.

Implementation of the Comprehensive Everglades Restoration Plan is estimated to cost \$7.8 billion, half of which will be paid by the federal government. The State of Florida and the South Florida Water Management District will each provide approximately one fourth of the total cost.

KISSIMMEE BASIN RESTORATION

In 1947 some 250,000 acres were flooded in and south of the cities of Kissimmee and Orlando. In 1962, in an attempt to keep these cities protected from further destruction, the U.S. Army Corps of Engineers dredged the Kissimmee River, turning it from 103 miles of winding river into a 56-mile long canal.

The environmental devastation of the dredging was staggering. Native vegetation disappeared, as did animals dependent upon it for food, nesting and shelter. Of the original 40,000 acres of wetlands, only 10,000 remain.

In 1976 the Legislature created a commission to study restoration of the river. After years of studies and experimenting with ways to restore the river, a plan evolved to fill 22 continuous miles of the canal with the original spoil material, forcing the water into the historic river channel and floodplain. The project also calls for removing two of the six dams and locks along the canal. When finished, 43 miles of the historic river and approximately 40 square miles of river/floodplain ecosystem will be restored.

The state and federal governments will split the estimated \$494 million cost to restore the river. The Army Corps of Engineers will handle construction and design of the restoration. To date, the state has purchased approximately 80 percent of the 87,000 acres it needs, including land around the up-river lakes, to hold more water. However, approximately \$84.5 million is estimated to be required to obtain the remaining land interests or to mitigate for potential effects of the restoration.

The first large-scale phase of filling the canal began in June of 1999 and will be finished by January 2001. As of this writing, over 6.5 miles of the former canal have been backfilled and 15 miles of Kissimmee River have been reconnected. The final backfilling phase is scheduled to be completed by 2012.

LAKE OKEECHOBEE RESTORATION

Lake Okeechobee is a critical habitat for wading birds and migratory waterfowl, a source of drinking and irrigation water, part of a trans-Florida navigation route, and is an economically important commercial and recreational fishery. The Lake Okeechobee Protection Program (LOPP) is focused on development and implementation of management efforts that will allow the lake to once again support a diversity of native plants and animals, while providing flood protection, water supply, navigation, and recreation. The program is designed to solve three major problems facing the lake and its watershed: (1) excessive nutrient loading, (2) extreme high and low water levels in the lake; and (3) invasive species.

During fiscal year 2000 construction began on two of the isolated wetland projects as part of the Lake Okeechobee Water Retention /Phosphorus Removal Critical Project. In addition, we initiated projects dealing with the following areas: (1) feasibility of removing sediments from Lake Okeechobee; (2) a pilot project to remove sediments from tributaries in the Lake Okeechobee watershed; (3) a study to analyze the fate and transport associated with the application of biosolids; (4) and update of an import/export phosphorus budget in the watershed; and (5) an economic valuation study analyzing the cost of different approaches to phosphorus removal. We will continue with these projects in the next fiscal year.

INTERNAL CONTROLS

PRINCIPLES OF SOUND FINANCIAL MANAGEMENT

Management acknowledges its responsibility for sound administration of our financial resources. This responsibility begins with our *Principles of Sound Financial Management*. These are sixteen guiding principles established by our Governing Board that reflect the core beliefs of how we do business. One of the principles says that we will maintain accountability and prudently use financial resources. As an integral part of our goal of fiscal accountability, we currently provide useful, timely, and accurate financial information for reporting, analysis, and decision making. Accountability requires presentation of relevant information in a way that attracts attention, retains interest, and is understandable to the citizenry. The objective of this report is to communicate as clearly as possible our operating results and financial position.

BUDGET ADOPTION AND CONTROLS

The Truth-in-Millage (TRIM) Act enacted by state legislation requires disclosures of information regarding tax millage and budget adoption. Each year, following the required disclosures and the conduct of hearings for taxpayer comment, the Governing Board sets the tax rates and adopts a budget for all funds.

The Governing Board also approves budget transfers among divisions and capital projects during the year. Management applies a level of control at which expenditures may not exceed the budget at the major object level within a division and fund. We use encumbrance accounting to reserve budgeted appropriations for obligations incurred but not received.

ACCOUNTING CONTROLS

Management is responsible for maintaining an internal control structure designed to assure that District assets are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the expected benefits, and the evaluation of costs and benefits requires management's estimates. The Governing Board and management have a plan of organization and policies in place to safeguard assets, validate the reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies and procedures. We believe these existing internal accounting controls adequately safeguard assets and provide reasonable, but not absolute, assurance of proper recording and reporting of our finances.

The **Audit Committee** of the Governing Board assists the Board in fulfilling the District's fiduciary and statutory responsibilities. The Audit Committee oversees the internal and external audit functions. The Chief Financial Officer and the District's General Counsel are ex-officio members who assist the Committee in its performance of responsibilities regarding District governance, financial reporting, and internal controls.

The **internal audit function** is carried out by the District's Inspector General, who is hired directly by the Governing Board. The Office of the Inspector General regularly conducts efficiency, effectiveness and economy audits of District operations according to an annual plan approved by the Audit Committee. The audit staff reviews compliance with established policies, plans and procedures.

Florida Statutes require that an external **audit of our financial statements** be performed by a firm of independent certified public accountants. The objective of this audit is to express an opinion that the District's financial statements are fairly presented in conformance with generally accepted accounting principles rather

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

than to express an opinion on our financial position. We have complied with this requirement and the auditor's opinion letter is included in the Financial Section of this Report.

A **Management Letter** from the independent auditors provides recommendations to the Audit Committee to strengthen and improve internal controls and accounting procedures. The independent auditors, under the provisions of the Federal Single Audit Act of 1996, also undertake a Single Audit of federal grant programs administered by the District. In addition, the auditors perform an audit of our state grants, which results in the Schedule of State Financial Assistance. The audit reports resulting from the Federal Single Audit and the Schedule of State Financial Assistance are included in Sections VI and VII of the CAFR.

ANALYSIS OF FINANCES

This summary continues the District's financial accountability to the Governor, Legislature, taxpayers, citizens, special interest groups and other users of our financial statements. It gives a brief, objective and nontechnical overview of our operating results and changes in our financial position for the year ended September 30.

FINANCIAL OPERATIONS

Our financial operations are expressed in terms of the amounts of revenues and expenditures that are recorded in a fiscal year. Revenues are the total amounts of cash received by the District, or expected to be received soon, and are classified by their sources. Expenditures are the total amounts of cash spent or payable by the District and are classified by their character and function.

TOTAL GOVERNMENTAL FUNDS REVENUES OF \$385.9 MILLION were approximately 8.9 percent lower in fiscal year 2000 than in 1999, and are composed of six major sources. The table below shows the amounts received for each source and the changes in the amounts from the previous year. Ten-year historical revenue trends are shown on page IV-10 of the Statistical Section.

Governmental Funds Revenues Fiscal Year 2000

	Amount	Percent of Total	Increase (Decrease) from FY 1999	Percent of Increase (Decrease)
Property Taxes	\$237,882,520	61.6%	\$15,999,786	7.2%
Intergovernmental	109,108,043	28.3%	(70,516,600)	(39.3%)
Interest	17,468,899	4.5%	(625,132)	(3.5%)
Net Increase in the Fair Value of Investments	532,442	0.1%	7,126,203	
Licenses, Permits and Fees	12,142,979	3.2%	6,033,175	98.7%
Other	8,771,829	2.3%	4,315,205	96.8%
Total	<u>\$385,906,712</u>	<u>100.0%</u>	<u>(\$37,667,363)</u>	<u>(8.9%)</u>

Property taxes continue as our primary source of revenue, providing 61.6% of our revenue in fiscal year 2000. The revenue from property taxes of \$237.9 million in 2000 represents an increase of \$16 million from 1999. This increase in revenue is the result of the increase in property values and new construction throughout the District.

Intergovernmental revenue, at 28.3%, represents our second largest category of revenue. The District received \$109.1 million from various federal and state agencies in fiscal year 2000, a decrease of \$70.5 million compared with the amount we received in 1999. The majority of this revenue was provided by the Florida Department of Environmental Protection and the U.S. Department of the Interior to assist the District in acquiring land necessary for water management.

Interest revenue totaled \$17.5 million in fiscal year 2000, a decrease of approximately \$625,000, or 3.5% less than the amount received in 1999. The decrease is the result of lower average cash balances available for investment during the fiscal year due to larger than average expenditures for Everglades restoration and capital outlay during the fiscal year 1999.

Net increase in the fair value of investments resulted in an increase of reported revenues of approximately \$532,000 for 2000, compared with a decrease in the fair value of investments of \$6.6 million for 1999. This revenue component is susceptible to interest rate variations during the fiscal year which affect the value of our investments.

Licenses, permits and fees provided \$12.1 million of revenue in fiscal year 2000, an increase of \$6 million over 1999. Most of this revenue source is restricted to the acquisition, restoration and maintenance of environmentally sensitive wetland areas, a process commonly known as “wetlands mitigation.” This revenue source fluctuates from year to year, depending on the number of acres of land involved and the estimated costs of the restoration efforts.

Other revenue represents moneys received from many diverse sources. The \$8.8 million received in fiscal year 2000 was primarily composed of property leases, civil penalties and refunds of prior year expenditures.

TOTAL GOVERNMENTAL FUNDS EXPENDITURES OF \$349.4 MILLION were \$208 million (37.3%) lower in fiscal year 2000 than in 1999. Most of the decrease was in capital outlay expenditures, which decreased by \$234.4 million (70.2%) from 1999 to \$99.6 million in 2000. The table below shows the amounts expended by category or division and the changes in the amounts from the previous year. Ten-year historical expenditure trends are shown on page IV-18 of the Statistical Section.

Expenditures for Water Resource Management totaled \$98.2 million in fiscal year 2000, an increase of \$17 million (21%) from fiscal year 1999. The increased expenditures by this division represent our continued commitment to water management planning and the implementation of programs to enhance and preserve water resources.

Capital outlay expenditures in fiscal year 2000 were substantially lower than the previous fiscal year. They decreased by \$234 million over 1999 to \$99.6 million, largely due to the large amount of expenditures recorded in fiscal year 1999 for the Everglades Construction Project and for major purchases of environmentally sensitive lands. Although capital outlay expenditures decreased from fiscal year 1999, the amount of expenditures for fiscal year 2000 was approximately the same as the amounts spent during fiscal years 1996 through 1998 (an average of \$103.2 million).

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Governmental Funds Expenditures Fiscal Year 2000

	Amount	Percent of Total	Increase (Decrease) from FY 1999	Percent of Increase (Decrease)
General Government	\$10,476,556	3.0%	(\$2,461,818)	(19.0%)
Government Affairs, Communications and Branch Offices	24,948,892	7.1%	4,691,671	23.2%
Water Resource Management	98,213,275	28.1%	17,067,599	21.0%
Water Resource Operations	62,753,136	18.0%	4,984,994	8.6%
Corporate Resources	45,529,928	13.0%	2,002,159	4.6%
Capital Outlay	99,605,065	28.5%	(234,418,982)	(70.2%)
Debt Service	7,852,838	2.3%	(3,477)	0.0%
Total	\$349,379,690	100.0%	(\$208,137,854)	(37.3%)

FINANCIAL POSITION

The District's financial position provides information on how well we are able to continue our operations in the future based upon the amount of financial resources remaining at the end of a fiscal year. The net amount of financial resources available to the District is the difference between assets (items we own) and liabilities (amounts we owe to others). In the private sector the net financial position is called retained earnings. In government, it is called fund equity. At September 30, 2000 the total fund equity of the District was \$1.8 billion.

Most of the District's fund equity is composed of capital assets, such as land, buildings, water control structures, and equipment. These items are reported as general fixed assets and they increased by \$63 million during the fiscal year, from \$1.498 billion at September 30, 1999 to \$1.561 billion at September 30, 2000.

CASH MANAGEMENT

Total cash and investments at September 30, 2000 are \$329 million, or approximately \$61 million higher than the \$268 million balance at September 30, 1999. This increase resulted mainly from a cash advance received for a major land purchase that occurred shortly after the end of the fiscal year. Other factors include higher interest rates on investments during fiscal year 2000 and lower expenditures than in the previous fiscal year.

Our cash position is bolstered by our aggressive but prudent investment policy. Cash not currently needed for operations is placed in a variety of investments, depending on how soon the cash will be needed for spending. During the last fiscal year our investments included U.S. Agency obligations, the Florida Local Government Surplus Funds Trust Fund, and money market accounts.

RISK MANAGEMENT

The District is self-insured, within varying limits, for workers' compensation, general liability and automobile liability insurance programs. All premium revenue and claims expense together with related retained earnings

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

are reported in the District's Internal Service Fund. The District participates in a fully insured health care program that has enabled the District to realize substantial cost savings.

Risk control procedures have been established to reasonably assure that the District's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control procedures have been established to reduce possible losses to property owned or under the control of the District.

DEBT ADMINISTRATION

The District's debt is composed mainly of the unpaid balance of Special Obligation Land Acquisition Bonds. These bonds were issued to finance the purchase of environmentally sensitive lands and are secured by a share of statewide documentary stamp tax collections. The District has no general obligation bonds authorized or outstanding. Our credit rating remains Aaa for these insured bonds. The total liability for our bonds at September 30, 2000 is \$76.1 million. We are obligated for payments on these bonds through 2015.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

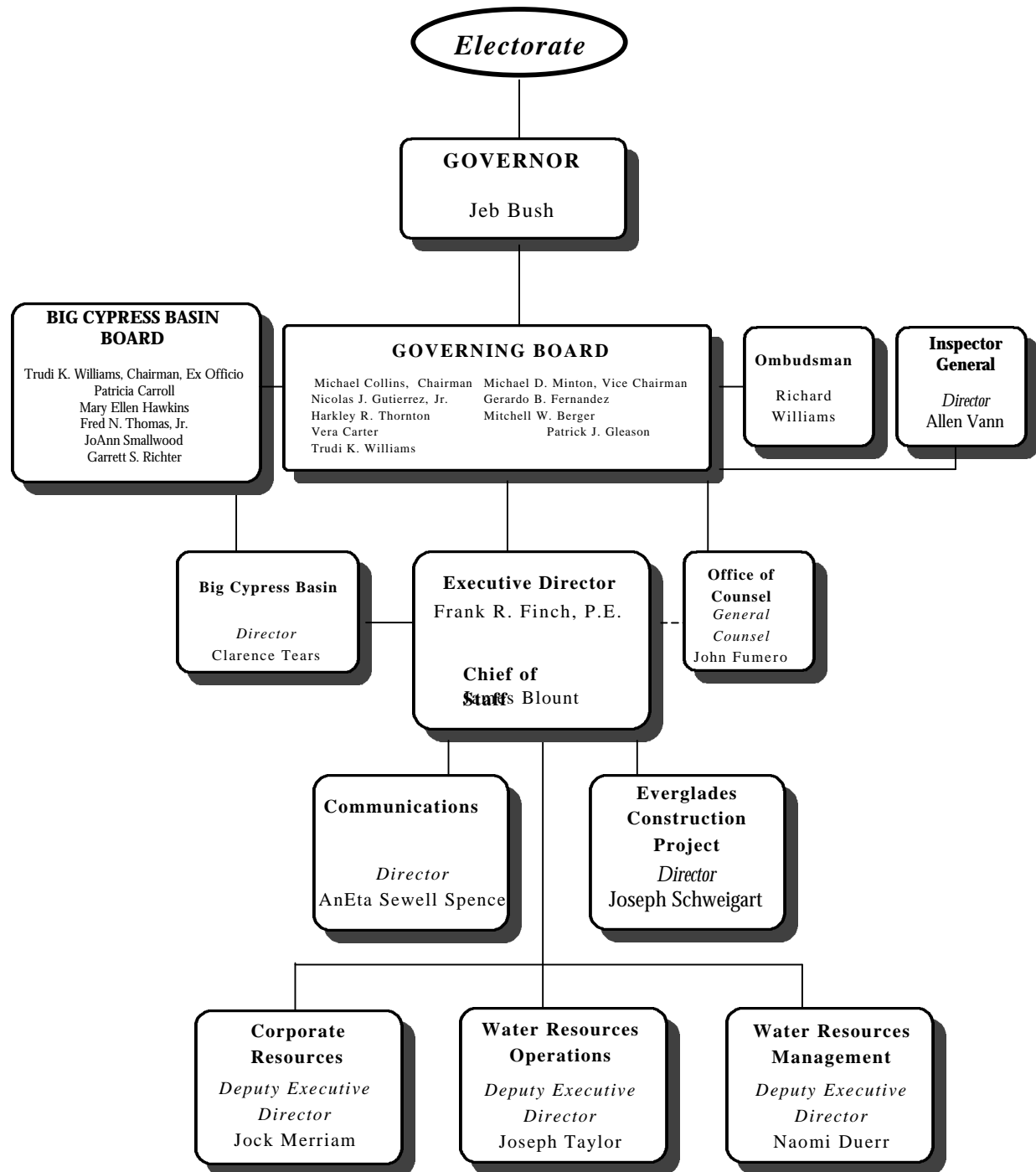
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Florida Water Management District for its comprehensive annual financial report for the fiscal year ended September 30, 1999. This was the tenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

We extend our sincere appreciation to the Governing Board, Executive Office and the many District employees who provided countless hours of research and preparation in the production of this report. Special thanks go to the employees of the Department of Accounting and Financial Services for their diligence in the production of this report.

District Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Florida Water
Management District

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director